

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	137.99	137.99	141.49	143.49	137.99	143.49	5.50	3.99%
Personal Services	6,082,816	7,115,362	7,052,889	7,141,914	13,198,178	14,194,803	996,625	7.55%
Operating Expenses	3,142,130	2,916,152	4,003,067	4,149,349	6,058,282	8,152,416	2,094,134	34.57%
Equipment & Intangible Assets	70,052	107,513	223,028	209,778	177,565	432,806	255,241	143.75%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	163,800	0	0	163,800	0	(163,800)	(100.00%)
Total Costs	\$9,294,998	\$10,302,827	\$11,278,984	\$11,501,041	\$19,597,825	\$22,780,025	\$3,182,200	16.24%
General Fund	1,065,499	1,162,620	1,635,412	1,527,884	2,228,119	3,163,296	935,177	41.97%
State Special	6,781,645	7,507,746	8,176,379	8,499,935	14,289,391	16,676,314	2,386,923	16.70%
Federal Special	1,447,854	1,632,461	1,467,193	1,473,222	3,080,315	2,940,415	(139,900)	(4.54%)
Total Funds	\$9,294,998	\$10,302,827	\$11,278,984	\$11,501,041	\$19,597,825	\$22,780,025	\$3,182,200	16.24%

Agency Description

Mission Statement: To control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

The Department of Livestock is responsible for controlling and eradicating animal diseases, preventing the transmission of animal diseases to humans, protecting the livestock industry from theft and predatory animals, meat, milk and egg inspection, and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer, the Livestock Crimestoppers' Commission, the Milk Control Board, the Livestock Loss Reduction and Mitigation Board, and the Board of Horse Racing. The department is organized into four divisions: Animal Health; Centralized Services; Brand-Enforcement; Diagnostic Laboratory; and two bureaus: Milk and Egg Inspection and Meat and Poultry Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

Agency Highlights

Department of Livestock Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The executive budget would increase by \$3.2 million or 16 percent in the 2011 biennium from the previous biennium ◆ One-time-only proposals total \$813,000, which are mainly information technology purchases ◆ The executive is proposing a brucellosis herd management plan to regain brucellosis free status 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The executive seeks to switch animal health funds (lab revenues) with the per capita fee to address funding issues in the Diagnostic Laboratory ◆ The proposed budget contains a 110 percent increase in out of state travel ◆ The department has not set a target market for wages for employees ◆ The funding switch of per capita fees for animal health revenues still leaves the animal health fund with a negative ending fund balance ◆ The agency submitted goals were not accompanied by measureable objectives 	

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

2011 Biennium Major Goals

The major goals for the department include:

- Provide multiple governments and private entities diagnostic support for the monitoring of animal health and zoonotic diseases in the State of Montana
- Aid in reducing the risks associated with rabies and other zoonotic diseases to human and animals for the protection of public health
- Ensure that all eggs, milk and milk products sold or processed in Montana are safe and wholesome and comply with standards and labels for those products
- Perform professional law enforcement and investigative work in the tracking of livestock ownership and in the deterrence and/or solution of related criminal activities

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Agency Market** - The agency's actual target market ratio was 94 percent relative to the FY 2006 market survey but is only 84 percent in FY 2008. A target market and a plan to achieve such a target market for the 2011 biennium has not been developed
- **Obstacles** – The agency identified lack of funding as the main obstacle in meeting target market ratios for the 2011 biennium

LFD ISSUE Lack of Planning – In order for the department to meet its stated mission, a well trained, and in some instances, highly educated workforce must be available. To recruit and retain such a workforce requires constant analysis and planning of personnel issues within the agency. This would include salary reviews in relation to the employment market and establishing a target market for the positions within the agency. At this writing, the department had not set a target market for the 2009 and 2011 biennia. Setting the target market is a key element in establishing a strategic plan on how to fund a specific pay level for the employees of the agency.

Without a formal plan, the legislature does not have the opportunity to discuss options on how to insure that the agency has a competent, well trained workforce. Since personal services are 61 percent of the agency's total biennial budget, there is not an overall plan for managing 61 percent of the agency's operating cost. The legislature may wish to consider:

- Suspending budget deliberations until a target market and plan are available
- Continuing the budget deliberations, but not approving base level personal services funding, or any present law or new proposal containing personal services costs, until a target market and plan is available

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Centralized Services Program	\$ 147,277	\$ 4,232,253	\$ -	\$ 4,379,530	19.23%
03 Diagnostic Laboratory Program	933,743	3,133,126	20,089	4,086,958	17.94%
04 Animal Health Division	660,461	1,960,498	1,618,073	4,239,032	18.61%
05 Milk & Egg Program	-	657,060	70,000	727,060	3.19%
06 Brands Enforcement Division	189,562	6,680,551	-	6,870,113	30.16%
10 Meat/Poultry Inspection	<u>1,232,253</u>	<u>12,826</u>	<u>1,232,253</u>	<u>2,477,332</u>	<u>10.88%</u>
Grand Total	<u>\$ 3,163,296</u>	<u>\$ 16,676,314</u>	<u>\$ 2,940,415</u>	<u>\$ 22,780,025</u>	<u>100.00%</u>

The Department of Livestock is funded with general fund, state special revenue, and federal special revenue. General fund provides support for some administrative functions, the diagnostic lab, and meat and poultry inspections. The executive budget contains a 16 percent increase in general fund from the 2009 biennium. The increase for ongoing costs is seven percent, as the executive budget contains approximately \$300,000 in one-time only requests. The one-time only requests are predominantly related to system enhancements for the animal health system (\$98,100), brand enforcement system (\$183,450), and computers for the meat inspection program (\$8,750).

State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock owners and accounts for 70 percent of the total budget. The executive budget increases the state special revenue by 9 percent. The three state special revenue funds that comprised over 90 percent of state special revenues in the department are discussed below.

Federal special revenue comes from the bison operations cooperative agreement, the Greater Yellowstone Interagency Brucellosis Committee grant for contracted research, and from the U.S. Department of Agriculture in match funds for meat and poultry inspections.

Inspection and control fund

The inspection and control fund supports brand enforcement functions and derives its revenues from brand recordings, and market and local inspections.

Livestock per capita fee

The livestock per capita fund is the largest state special revenue fund and supports animal health functions, predator control, the Centralized Services Division, and a portion of the Brand Enforcement Division. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance. The Board of Livestock annually evaluates a number of factors to determine if and how much the per capita tax rate should change. The change is limited in statute (15-24-922, MCA) to 110 percent of the average of the past three years less a reasonable non payment rate. In FY 2008, department expenditures from this fund totaled \$3.1 million. The 2011 executive budget includes approximately \$3.6 million annually.

Animal health fund

The animal health fund derives revenue from lab testing fees and milk and egg inspection fees. The diagnostic lab and the milk and egg functions are supported by this fund. The department has had challenges balancing expenditures with revenues and had to transfer funds from the livestock per capita fund to this fund at the end of FY 2007 and again in FY 2008 to cover expenses. The department anticipates an increase of approximately 10 percent to this fund over the 2011

biennium. In FY 2008, department expenditures from this fund were \$1.5 million. In the 2011 biennium the executive budget includes approximately \$1.5 million annually.

LFD COMMENT

Issues regarding the use of the per capita fee and the animal health fund are discussed in the Diagnostic Laboratory.

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

Statutory Appropriations Department of Livestock					
Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
<i>No Direct Bearing on Agency Operations</i>					
For the good of the horseracing industry	23-4-105	SSR	\$241,845	\$241,845	\$241,845

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,065,499	1,065,499	2,130,998	67.37%	9,294,998	9,294,998	18,589,996	81.61%
Statewide PL Adjustments	53,546	55,796	109,342	3.46%	786,767	774,694	1,561,461	6.85%
Other PL Adjustments	21,687	28,484	50,171	1.59%	505,751	554,318	1,060,069	4.65%
New Proposals	494,680	378,105	872,785	27.59%	691,468	877,031	1,568,499	6.89%
Total Budget	\$1,635,412	\$1,527,884	\$3,163,296		\$11,278,984	\$11,501,041	\$22,780,025	

Agency Issues

Brucellosis Action Plan

The Montana Board of Livestock approved a revised version of the state's Brucellosis Action Plan (BAP) at its November 14, 2008 meeting. The new plan is slated for implementation on January 1, 2009. The plan would require increased resources to the department and the Department of Fish, Wildlife and Parks (FWP). The funding of \$2.4 million general fund for calendar year (CY) 2009 is requested in the supplemental bill HB3. Approximately \$1.1 million of general fund and livestock per capita fees are equally split for the 2011 biennium in HB2.

The policy decision regarding the funding of the BAP is that of the legislature. A summary of the plan, issues with the plan and funding issues are provided to allow the legislature the opportunity to discuss the issues related to plan implementation.

Background

The State of Montana achieved brucellosis Class Free status in 1985. From 1985 until May 17, 2007 no cases of brucellosis were detected in Montana's livestock. In May 2007 and again in June 2008 brucellosis was detected in separate Montana cattle herds. On September 3, 2008, due to the discovery of the infected herds within a two-year period, the United States Department of Agriculture, Animal and Plant Health Inspection Service, Veterinary Services (USDA-APHIS-VS) officially downgraded Montana's brucellosis status from Class Free to Class A.

Currently the only known reservoirs of brucellosis in Montana are in the bison of Yellowstone National Park (YNP) and free-ranging elk in the Montana Greater Yellowstone Area (GYA). The BAP was developed to enhance brucellosis prevention and detection efforts in areas where interactions between livestock and brucellosis-infected or exposed elk or bison are most likely to occur and continue statewide brucellosis detection efforts.

Plan Summary

The BAP is designed as a short-term plan with the goal to achieve brucellosis Class Free status by December 31, 2009. The BAP defines two areas for plan implementation. Area 1 is the special focus area that encompasses Carbon, Stillwater, Sweetgrass, Park, Gallatin, Madison and Beaverhead counties. Area 2 encompasses the areas within the state where GYA elk are not known to range and where positive elk have not been detected, essentially the remainder of the state.

The BAP actions are specific to each area. Some actions are considered best practices while others are required. In Area One those actions include:

- **Risk Assessments** – As a best management practice, DOL and FWP staff will work with livestock producers to develop a Brucellosis Prevention and Surveillance Herd Management Plans (Herd Plans) when requested by the producers. Those producers who choose not to conduct a risk assessment are subject to all Area 1 requirements
- **Testing** – There are five testing requirements
 - Entire herd testing - required for sexually intact cattle or domestic bison 12 months of age and older that may interact or share landscape with brucellosis exposed elk or bison
 - Movement testing – required testing of sexually intact cattle or domestic bison 12 months of age and older that are moving from Area 1 to a location outside of the area, 30 days prior to the move and for 6 months following the recovery of the Class Free status
 - Change of ownership testing - required testing of sexually intact cattle or domestic bison 12 months of age and older that are changing ownership, 30 days prior to the sale and for 6 months following the recovery of the Class Free status
 - Aborted fetus testing - recommended as a best practice – bacteriological testing of aborted elk, bison, or cattle fetuses
 - Syndromic testing - recommended as a best practice – serological and/or bacteriological testing of cattle and domestic bison exhibiting signs consistent with brucellosis
- **Vaccination** – recommend as a best practice - for cattle and bison 18 months of age or older in herds with interaction potential in areas with brucellosis exposed elk or bison
- **Fencing of hay stacks and feed storage** – recommended as a best practice – if attractant to Greater Yellowstone Area (GYA) elk or Yellowstone National Park (YNP) bison
- **Animal traceability** – required animal ID for sexually intact cattle or domestic bison 12 months of age and older prior to sale, change of ownership, or permanent movement outside Area 1

Area 2 requirements include change of ownership testing and movement testing for animals exported from Montana. Best practice management recommendations include vaccination and animal identification.

Case discovery, if any, will lead to epidemiological investigation of which the process is dependent upon which area the disease is detected in. Any cattle testing positive in Area 2 that cannot be traced back to an Area 1 herd will result in a regional approach to determine the source of the infection.

Once Class Free status is obtained, some of the actions and strategies outlined in the plan will cease 180 days later. However, longer-term surveillance and mitigation activities will continue in areas where known brucellosis-infected or exposed elk or bison may interact or share landscape with livestock.

Personnel Requirements

The plan will be managed by existing staff, but would require two additional veterinarians, a program support and an additional lab technician. All but one of the veterinarians are requested to continue into the 2011 biennium as permanent staff of the department.

Performance Criteria

The department provided performance criteria to track progress toward the goal, including:

- Number of herd plans written
- Number of cattle tested
- Number of risk assessments completed
- Number of cattle vaccinated
- Number of tests completed in the diagnostic lab in Bozeman
- Regaining Class Free status

Risks and Obstacles

The department determined the following risks to the state if the department was unable to implement the plan. They include:

- Producers who shoulder the burden of these costs will not stay financially viable and will exit the livestock industry, or relocate their operations
- Producers may choose not to cooperate with the surveillance program, which would cause a delay in restoring the Brucellosis Class Free status and decrease the marketability of Montana's cattle
- Producers may choose not to cooperate with the risk mitigation program, which may result in additional cases of brucellosis in livestock with significant financial consequences for the State of Montana

The obstacles to successfully completing the plan include:

- The ability to complete testing done in a short timeframe
- Managing the heavy surge of lab tests within the diagnostic lab
- The challenge in controlling any movement of herds and the enforcement of procedure and protocol throughout the entire process

Funding the BAP

As stated earlier, the executive has two different funding requests to cover the cost of the plan. The supplemental appropriations bill, HB 3, requests approximately \$2.4 million of general fund based on the estimated costs of the plan associated with calendar year 2009 (January 1, 2009 through December 31, 2009). The breakdown of this request is in the HB 3 column of the following table. The bill provides the appropriation for FY 2009 (July 1, 2008 to June 30, 2009) with the ability to carry up to \$2.0 million into FY 2010 (July 1, 2009 to June 30, 2010).

The second request is for the longer term monitoring and surveillance costs. This request is located in DP 409 – Brucellosis Herd Plan in the Animal Health Division. The biennial request is for \$1.1 million equally split between general fund and the livestock per capita fee. This request would permanently fund 2.00 FTE, a veterinarian and a program support specialist. The breakdown of this request is in the “HB 2” columns of the above table.

The total funding request for plan implementation and long term monitoring and surveillance is \$3.5 million; of that \$2.9 million is general fund.

Department of Livestock Brucellosis Herd Plan Funding Requests				
	HB 3 CY 2009	HB 2 FY 2010	HB 2 FY 2011	Total Request
<u>Expenditures</u>				
Personal Services	\$186,191	\$119,873	\$119,918	\$425,982
Operational Costs	54,940	14,418	15,043	84,401
Testing/Vaccines	<u>2,134,653</u>	<u>285,156</u>	<u>570,313</u>	<u>2,990,122</u>
	<u>\$2,375,784</u>	<u>\$419,447</u>	<u>\$705,274</u>	<u>\$3,500,505</u>
<u>Funding</u>				
General Fund	\$2,375,784	\$209,724	\$352,637	\$2,938,145
Livestock Per Capita	0	<u>209,723</u>	<u>352,637</u>	<u>562,360</u>
	<u>\$2,375,784</u>	<u>\$419,447</u>	<u>\$705,274</u>	<u>\$3,500,505</u>

LFD ISSUE

Budget needs to fit plan

The summary plan provides a general idea regarding how the department will implement strategies to regain Class Free status by December 31, 2009. The funding needs to match this plan in terms of type and timing of the funding. There are some areas of concern, including plan timeline, performance criteria, surveillance area, funding source, and other agency involvement.

Timeline

In discussions with the department it was noted that the major phases in this process are hiring staff, aggressive outreach to producers, completion of risks assessments, and actual testing. The department has not, as of this writing, released dates for these phases. If the goal is to achieve Class Free status by December 31, 2009, there should be a clear timeline of how the major phases work toward that goal.

Option:

The legislature may wish to request the department provide the timeline of his project where the noted phases start and stop and at what point in time the department would reapply for Class Free status. A second timeline of post Class Free status should be provided to indicate what activities will need to continue. These timelines could be utilized to balance the appropriation request between FY 2009 and the 2011 biennium.

Performance Criteria

This is an epidemiological surveillance plan. The performance criteria provided are clearly not the type of criteria one would see in a scientific plan. The department has to demonstrate to the USDA disease control via a surveillance plan. The legislature may wish to examine the criteria to be provided to the USDA to demonstrate success. If the plan does not have those criteria, the USDA most likely will not grant the Class Free status back to Montana.

Surveillance Area

The plan document provides for a surveillance area of seven counties where GYA elk may roam. The budget was developed on a surveillance area of portions of five particular counties where exposed elk are known to be. The budget was not adjusted when the surveillance area was enlarged.

Option: The legislature may wish to request that the department verify that the budget is adequate for the larger surveillance area or if additional resources may be required to assure successful plan implementation.

Fund Sources

The executive is requesting general fund to fund the plan. The general fund would act as a subsidy to producers in order to implement the BAP. Without the BAP the producer will continue to cover the cost of required testing for exporting cattle out of Montana. Once Class Free is obtained, the executive assumes the public policy of 50 percent general fund

and 50 percent from producers via the per capita fee. The per capita fee is predominately paid on cattle, however, horses, sheep, swine, and poultry are also charged this fee.

The department currently receives some federal funds related to bison control to aid in brucellosis control. The proposal indicates that federal funds are not currently available, but if some should be received, they would offset general fund.

Options: The legislature may wish to consider:

- If there is a public benefit to utilize general fund as the predominant funding source of the plan
- If the per capita fee is appropriate given that it is collected on a wide variety of species
- Clarifying in HB 3 and HB 2 that any federal funding received for the plan would subsequently reduce the general fund appropriation and direct the department to aggressively pursue all potential federal funds

Other agency resources

The plan document details participation by the Department of Fish, Wildlife, and Parks including:

- Providing personnel to haze/assist in hazing of elk in close proximity to cattle feeding/calving areas
- Providing personnel and game-proof fencing materials for fencing haystacks/feed storage areas/cattle feeding areas
- Providing personnel or other resources for mitigation efforts to ensure separation between elk and cattle, or elk and cattle feeding/calving areas

These are clearly labor intensive activities. The Wildlife Division of FWP does not currently have the budget authority to support this level of activity. The supplemental request is for the Department of Livestock only. The executive does not request additional funding for this purpose in HB 3 or in the executive request. It is also important to note that even if the Wildlife Division decided to pick up these responsibilities within its current operating budget, the source of the funding would raise issues. The activities requested are designed to protect the cattle from the elk. They do not address improving elk health or elk habitat. For this reason license fees and federal revenues related to license fees are not an appropriate funding source for this activity. The legislature may wish to discuss with FWP how they intend to provide these additional services within its current operating budget.

LFD ISSUE

Plan oversight

The implementation and subsequent follow up of this plan will require oversight. The Animal Health Officer within the Department will serve as the lead, and the Board of livestock will also provide oversight. The legislature will not have a role in the oversight of this issue once the appropriation authority has been provided. Therefore, if plan implementation does not go well, or more cases of brucellosis are found, notification to the legislature will not automatically occur. The legislature may wish to request interim oversight of plan implementation and results by the Economics Affairs Interim Committee. This committee has interim oversight authority of the Department of Livestock.

Large increases in out-of-state travel

The Board of Livestock establishes priorities for the agency. One such priority is the representation of Montana at out-of-state meetings and conferences. The executive budget includes significant increases in out-of-state travel for the next biennium. Figure A summarizes the increases. In comparing FY 2008 actual expenditures with the FY 2010 executive request, out-of-state travel costs are expected to increase by 110 percent. FY 2011 shows a 113 percent increase from the base year due to increased travel for the milk and egg program.

Figure A Department of Livestock Out of State Travel Requests			
Division:	FY 2008 Actual	FY 2010 Requested	FY 2011 Requested
Centralized Services Division			
IT Staff	\$0	\$3,000	\$0
Executive Director	8,279	11,300	11,300
Diagnostic Lab	2,483	6,937	6,937
Animal Health	6,712	8,586	8,586
Milk & Egg Program	1,579	3,760	7,520
Brand Enforcement	2,507	9,454	9,454
Meat & Poultry Inspection	790	3,937	3,937
Total Travel Requests	<u>\$22,350</u>	<u>\$46,974</u>	<u>\$47,734</u>
Percent Change		110%	113%

**LFD
ISSUE**

Out-of State Travel -The legislature may wish to inquire about the nature and scope of this travel, specifically the benefits derived by the state from this activity. There is further discussion within each division where significant budget increases are requested.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	20.78	20.78	20.78	20.78	20.78	20.78	0.00	0.00%
Personal Services	936,040	1,274,933	1,110,197	1,112,746	2,210,973	2,222,943	11,970	0.54%
Operating Expenses	1,027,685	1,030,640	1,104,567	1,052,020	2,058,325	2,156,587	98,262	4.77%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	163,800	0	0	163,800	0	(163,800)	(100.00%)
Total Costs	\$1,963,725	\$2,469,373	\$2,214,764	\$2,164,766	\$4,433,098	\$4,379,530	(\$53,568)	(1.21%)
General Fund	54,181	82,215	73,755	73,522	136,396	147,277	10,881	7.98%
State Special	1,909,544	2,387,158	2,141,009	2,091,244	4,296,702	4,232,253	(64,449)	(1.50%)
Total Funds	\$1,963,725	\$2,469,373	\$2,214,764	\$2,164,766	\$4,433,098	\$4,379,530	(\$53,568)	(1.21%)

Program Description

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, public information and general services functions for the department. The Predator Control Program is administered by the Board of Livestock and the Executive Officer. The Milk Control Bureau staff and the Livestock Loss Reduction Mitigation Board (LLRMB) staff are supervised in the Central Services Division. The Board of Milk Control, the Livestock Loss Reimbursement Mitigation Board, and the Board of Horse Racing are attached to the Department of Livestock for administrative purposes.

Program Highlights

Centralized Services Division Major Program Highlights	
<ul style="list-style-type: none"> ◆ The biennial budget would increase general fund by eight percent if the executive proposals were adopted ◆ The executive increases out-of-state travel for the executive director by 36 percent ◆ To address litigation issues in the Milk Bureau, the executive adds \$45,300 over the biennium ◆ Goals submitted related to service to the rest of the agency and administratively attached boards 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Some of the litigation in the Milk Bureau has been temporarily suspended given a temporary agreement ◆ The goals could be simplified and the objectives are not measurable 	

Program Narrative

2009 Monitored Goals and Objectives

No goals were monitored in the 2009 biennium.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The major goal and subsequent objectives of the division are:

Goal

To provide efficient and accurate budgeting, accounting, payroll, personnel, risk management, public information, purchasing, data processing, general services, milk pricing and auditing, livestock loss reduction and mitigation and administrative functions for the department and the livestock industry.

Objectives

- The executive officer and board will evaluate the quality of budget information based upon observation at board and legislative meetings
- Audit findings will be immediately addressed with the goal of not repeating
- Turnover problems are mitigated and held to a minimum
- Federal funding is achieved and procedures are met to ensure continued funding
- Public information is timely and accurate and approved by the executive officer
- Quarterly and final financial reports are complete and timely
- Fiscal information is concise and understandable
- Resolve information technology software problems in a timely manner; successfully migrate from old software systems to oracle
- Boards are presented with quality data, professionalism, neutrality, and sensitivity to issue

LFD ISSUE Goal could be simplified
The role of the Centralized Services Division is to provide support functions to the rest of the department and to the boards that are administratively attached to the department. The goal could be restated as: The goal of the division is to provide efficient, accurate and timely support to the divisions within the department, and the administratively attached boards.

Objectives are not measurable

The progress toward the goal is evaluated through measureable objectives. Objectives should be specific, measureable, accountable, reportable, and time bound. The objectives above are statements of work. The objectives do not tell the reader what to anticipate and how the data will be evaluated. The legislature could consider these objectives:

- Annual employee turnover will be less than 10 percent as calculated by the department's personnel office
- Audit findings will be reviewed and a plan of correction implemented ten working days after the release of the audit

The legislature may wish to discuss with the division appropriately written objectives to the goal.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Centralized Services Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 54,181	2.8%	\$ 73,755	3.3%	\$ 73,522	3.4%
01100 General Fund	54,181	2.8%	73,755	3.3%	73,522	3.4%
02000 Total State Special Funds	1,909,544	97.2%	2,141,009	96.7%	2,091,244	96.6%
02029 Board Of Horse Racing	158,103	8.1%	219,417	9.9%	219,716	10.1%
02426 Lvstk Per Capita	1,516,665	77.2%	1,657,014	74.8%	1,606,362	74.2%
02817 Milk Control Bureau	234,776	12.0%	264,578	11.9%	265,166	12.2%
Grand Total	<u>\$ 1,963,725</u>	100.0%	<u>\$ 2,214,764</u>	100.0%	<u>\$ 2,164,766</u>	100.0%

The division is funded from the livestock per capita fund, the Milk Control Bureau fund, and the Board of Horse Racing fund. The livestock per capita fund, an annual tax on livestock headcount, funds all activities of the division, except for the administratively attached boards. The division collects indirect cost reimbursements on federal and state special revenues expended in other divisions. These reimbursements are deposited to the livestock per capita fund. The Milk Control Bureau and the Board of Horse Racing are funded from fees assessed to the respective industries.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	54,181	54,181	108,362	73.58%	1,963,725	1,963,725	3,927,450	89.68%
Statewide PL Adjustments	17,594	17,505	35,099	23.83%	193,875	156,001	349,876	7.99%
Other PL Adjustments	900	900	1,800	1.22%	45,429	33,929	79,358	1.81%
New Proposals	1,080	936	2,016	1.37%	11,735	11,111	22,846	0.52%
Total Budget	\$73,755	\$73,522	\$147,277		\$2,214,764	\$2,164,766	\$4,379,530	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				213,696						216,353
Vacancy Savings				(45,989)						(46,097)
Inflation/Deflation				2,091						2,627
Fixed Costs				24,077						(16,882)
Total Statewide Present Law Adjustments				\$193,875						\$156,001
DP 101 - Department P.C. Replacements										
0.00	0	9,177	0	9,177		0.00	0	9,177	0	9,177
DP 102 - I.T. Staff Training - OTO										
0.00	0	11,500	0	11,500		0.00	0	0	0	0
DP 103 - Board of Livestock Per Diem										
0.00	0	3,950	0	3,950		0.00	0	3,950	0	3,950
DP 104 - Out of State Travel Ex. Officer										
0.00	0	3,021	0	3,021		0.00	0	3,021	0	3,021
DP 105 - Board of Horse Racing Per Diem										
0.00	0	900	0	900		0.00	0	900	0	900
DP 106 - Milk Control Board Per Diem										
0.00	0	700	0	700		0.00	0	700	0	700
DP 107 - Milk Control Board Contract Attorney										
0.00	0	22,650	0	22,650		0.00	0	22,650	0	22,650
DP 108 - Predator Control - Base Adjustment										
0.00	0	(7,369)	0	(7,369)		0.00	0	(7,369)	0	(7,369)
DP 109 - Per Diem-Livestock Loss Reduction Mitigation Board										
0.00	900	0	0	900		0.00	900	0	0	900
Total Other Present Law Adjustments										
0.00	\$900	\$44,529	\$0	\$45,429		0.00	\$900	\$33,029	\$0	\$33,929
Grand Total All Present Law Adjustments				\$239,304						\$189,930

Personal Services

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate**-- The statewide personal services adjustment represents salaries for this program at 87 percent of market relative to the 2008 executive branch market survey
- **Vacancy**-- The implementation of broadband funds has assisted in retaining information technology staff
- **Legislatively applied vacancy savings**-- The division used normal staff turnover and a reduction in hours to manage to the 4.0 percent legislatively applied vacancy savings rate. Eliminating the impact of vacancy spending the division under spent its personal services authority by 21 percent
- **Pay Changes**--Funds were not transferred from other budgeted expenditure categories. Market adjustments to align division staff pay to the agency market policy of 80 percent resulted in average hourly pay raises increasing by a little over four times the amount of the 3.0 percent HB 13 salary adjustments. A strategic pay adjustment was provided for retention purposes resulting in an hourly pay raise significantly greater than the amount of the 3.0 percent HB 13 salary adjustments
- **Retirements**-- The division anticipates six employees would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$70,000 in unfunded compensated absence liability

DP 101 - Department P.C. Replacements - The executive is requesting an increase in state special revenue to allow the department to meet the recommendation to replace computers every four years.

DP 102 - I.T. Staff Training - OTO - The executive is requesting an increase in out-of state travel and training for information technology staff in order to develop and maintain Oracle applications and Novell training to maintain the department's LAN security. The request is based on sending two FTEs to Oracle training and one to Novell training.

**LFD
COMMENT**

Not budgeted as Travel – This decision package is budgeted as education and training costs, rather than the appropriate travel categories. If the legislature is to approve, and potentially continue, funding out-of-state travel for training it should be budgeted as such for tracking and comparative purposes. The legislature may wish to direct the agency to establish the budget categories correctly, which would be \$8,500 for education and training, \$3,000 for travel.

DP 103 - Board of Livestock Per Diem - Board per diem expenditures are zero-based and must be restored each biennium. The executive seeks restoration of this funding to support functions of the board.

DP 104 - Out of State Travel Ex. Officer - The executive is requesting an increase in the travel budget for the Executive Officer to represent the board at key national and other industry meetings. This package increases the base budget for out of state travel from \$8,300 to approximately \$11,300. This would provide for approximately six out-of-state trips per year.

**LFD
COMMENT**

This decision package represents a 36 percent increase in out-of state travel.

DP 105 - Board of Horse Racing Per Diem - Board per diem expenditures are zero-based and must be restored each biennium. The executive seeks restoration of this funding to support functions of the board.

DP 106 - Milk Control Board Per Diem - Board per diem expenditures are zero-based and must be restored each biennium. The executive seeks restoration of this funding to support functions of the board.

DP 107 - Milk Control Board Contract Attorney – The executive is requesting an increase in contract legal services for the purpose of defending pending legal actions regarding milk activities. This request of \$22,650 per year raises the base to \$35,000.

**LFD
ISSUE**

Growth in Contract Services

This decision package would increase the base budget for contracted services by 184 percent. Historically, contract services have cost \$3,925 per fiscal year, with FY 2008 being the highest at \$12,350. The state of the above mentioned legal actions should be addressed prior to legislative deliberations to determine if an on-going appropriation is necessary.

As of this writing, one such case as been postponed. The agency released a statement on September 25, 2008, that the department and Core-Mark International reached a temporary agreement that postponed the litigation over the state's 12-day labeling requirement. Core-Mark and others had previously received a waiver allowing milk to be dual dated with both a 12-day sell by and a 21-day use by date in order for the product to be sold in both Montana and Washington State. The Milk Control Board rescinded the waiver, causing Core-Mark to file suit.

Since the litigation is on hold, the legislature should receive an update on this suit, and any others, to determine if this on-going appropriation is necessary. Other options for consideration include:

- Reduce the amount to a level equal to the annual utilization of contract services
- Restrict the appropriation to one-time-only

DP 108 - Predator Control - Base Adjustment - The executive is requesting a base reduction of \$7,369 each year of the biennium to the Predator Control program to align the budget with the board approved amount of \$319,500 per year.

DP 109 - Per Diem-Livestock Loss Reduction Mitigation Board - Board per diem expenditures are zero-based and must be restored each biennium. The executive seeks restoration of this funding to support functions of the board.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 110 - Database Hosting										
01	0.00	0	7,040	0	7,040	0.00	0	7,040	0	7,040
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
01	0.00	1,080	3,615	0	4,695	0.00	936	3,135	0	4,071
Total	0.00	\$1,080	\$10,655	\$0	\$11,735	0.00	\$936	\$10,175	\$0	\$11,111

DP 110 - Database Hosting - The executive is requesting state special revenue authority to cover the cost of database hosting by the Information Technology Services Division of the Department of Administration for the brand and animal health permitting systems.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	20.50	20.50	22.00	22.00	20.50	22.00	1.50	7.32%
Personal Services	1,025,686	1,131,127	1,180,560	1,182,660	2,156,813	2,363,220	206,407	9.57%
Operating Expenses	632,443	507,363	814,761	882,521	1,139,806	1,697,282	557,476	48.91%
Equipment & Intangible Assets	6,603	0	19,853	6,603	6,603	26,456	19,853	300.67%
Total Costs	\$1,664,732	\$1,638,490	\$2,015,174	\$2,071,784	\$3,303,222	\$4,086,958	\$783,736	23.73%
General Fund	446,155	455,938	463,488	470,255	902,093	933,743	31,650	3.51%
State Special	1,208,526	1,169,150	1,541,641	1,591,485	2,377,676	3,133,126	755,450	31.77%
Federal Special	10,051	13,402	10,045	10,044	23,453	20,089	(3,364)	(14.34%)
Total Funds	\$1,664,732	\$1,638,490	\$2,015,174	\$2,071,784	\$3,303,222	\$4,086,958	\$783,736	23.73%

Program Description

The Diagnostic Laboratory provides livestock laboratory diagnostic support for livestock producers and the Animal Health and Milk and Egg program. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners, veterinarians, the Department of Fish, Wildlife and Parks, and other agencies in protecting the health of animals, wildlife, and the public.

Program Highlights

Diagnostic Laboratory Program Major Budget Highlights	
♦	The executive proposes to switch animal health funds with per capita fees to stabilize lab funding
♦	The budget contains \$25,500 in one-time-only funding to address equipment and storage needs at the lab
Major LFD Issues	
♦	The funding switch from animal health fees to per capita fees in the diagnostic lab represents a major policy change
♦	The funding switch does not eliminate a negative ending fund balance in the animal health fund
♦	The goals and objectives submitted do not allow for future review

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee selected the following goal to monitor during the 2009 interim:

- Continue to fulfill our defined statutory mission (81-2-102(b) and (c)) and continue to provide rapid, accurate, and repeatable test results for all the Laboratory users
- Maintain accreditation status from the Laboratory's accreditation bodies. These reviews provide outside audits that verifies the laboratory testing credibility and competence
- Continue to provide the services and tests desired and needed by the laboratory users

The agency reported the following;

- The American Association of Veterinary Laboratory Diagnosticians (AAVLD) five year accreditation was completed in October 2007. Other reviews are the U.S Department of Agriculture (USDA) on an annual basis and the US Food and Drug Administration (FDA) every three years. The FDA review was to occur in calendar year 2008 or 2009
- A survey of laboratory users was scheduled to be conducted by the end of the 2009 biennium.

LFD COMMENT

The legislature may wish to receive an update on the FDA review and the status of the survey of laboratory users.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The division submitted one goal with corresponding objectives:

- Provide to multiple government and private entities, diagnostic support for the monitoring of animal health and zoonotic diseases in the State of Montana
 - Address funding issues in conjunction with the Board of Livestock
 - Continue to provide the diagnostic services demanded of our clientele. These services must be accurate, timely and cost efficient. The quality system will be monitored and reviewed and followed.
 - Maintain accreditation status from AAVLD, USDA and FDA
 - Maintain and foster established relationships with federal, state and local agencies such as USDA Animal and Plant Health Inspection Service, Montana Fish, Wildlife and Parks, Montana Department of Public Health and Human Services, AAVLD and National Animal Health Laboratory Network, county health departments, veterinarians and producer groups

LFD ISSUE

Objectives are not measurable

The progress toward the goal is evaluated with measurable objectives. Objectives should be specific, measurable, accountable, reportable and time bound. The above objectives are statements of work that need to be completed. The legislature may wish to discuss with the division appropriately written objectives.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Diagnostic Laboratory Program						
Program Funding	Base		Budget		Budget	
	FY 2008	% of Base	FY 2010	% of Budget	FY 2011	% of Budget
01000 Total General Fund	\$ 446,155	26.8%	\$ 463,488	23.0%	\$ 470,255	22.7%
01100 General Fund	446,155	26.8%	463,488	23.0%	470,255	22.7%
02000 Total State Special Funds	1,208,526	72.6%	1,541,641	76.5%	1,591,485	76.8%
02426 Lvstck Per Capita	55,457	3.3%	423,227	21.0%	486,371	23.5%
02427 Animal Health	1,153,069	69.3%	1,118,414	55.5%	1,105,114	53.3%
03000 Total Federal Special Funds	10,051	0.6%	10,045	0.5%	10,044	0.5%
03427 Bison Trap Funds	10,051	0.6%	10,045	0.5%	10,044	0.5%
Grand Total	<u>\$1,664,732</u>	100.0%	<u>\$2,015,174</u>	100.0%	<u>\$2,071,784</u>	100.0%

The Diagnostic Laboratory (lab) is supported with general fund, animal health fees, per capita fees, and a small portion of federal funds. During the FY 2008 base year, the lab received a non-budgeted transfer of funds from the per capita

fund due to lower than anticipated revenue from lab fees. The executive proposal includes a funding switch in the lab from the animal health fund to the per capita fund of \$327,888 in FY 2010 and \$417,552 in FY 2011.

The Diagnostic Lab, lab charges and the per capita fee

The Diagnostic Laboratory (lab) is located on the Montana State University campus in Bozeman. The lab provides fee-for-service testing to veterinarians, livestock producers, as well as public health and wildlife agencies. How the lab is funded is policy that is made by the legislature. For the 2011 biennium, the executive is requesting a funding shift in the lab by increasing per capita fee authority and decreasing animal health authority. The legislature may wish to consider the impact of the proposed funding switch as well as evaluate other options.

LFD ISSUE

Proposed funding switch is insufficient

Currently, the lab is funded with fees generated from testing (animal health fund), general fund, and per capita fees (taxes on the ownership of livestock). However, the lab has not been successful in generating fees to cover increased lab costs, creating a shortfall. The options to address the shortfall have been to increase lab fees, increase general fund support, or increase per capita support of the lab. The 2007 Legislature opted to recognize the public health benefits of the lab for all Montanans and reduce the per capita fee support proposed by the Governor and increase general fund authority. However, in FY 2008 lab revenues were not realized as projected and the shortfall was covered with a non-budgeted transfer of per capita fees. The executive has requested a funding switch that would essentially undo the reduction of per capita fees made by the 2007 legislature.

The status of the two funds without the impact of the proposed funding switch is illustrated in Figure A. The animal health fund receives the majority of its revenue from fees on inspections and laboratory testing. The revenue from fees is directly related to the economic vitality of the livestock industry. For example, if fewer cattle are shipped to market, fewer inspection fees are collected. As a result, revenues can fluctuate from year to year, making estimates difficult. The budget revenues for the animal health fund were adjusted to represent a nominal increase of three percent per year.

Figure A
Department of Livestock

Condition of Animal Health Fund and Per Capita Fund without proposed transfer

Item	Animal Health Fund		Per Capita	
	FY 2010	FY 2011	FY 2010	FY 2011 Exec
	Exec Budget	Exec Budget	Exec Budget	Budget
Beginning Fund Balance	(\$224,543)	(\$522,843)	\$2,764,652	\$3,234,986
Adjustment to Fund Balance				
<u>Revenue</u>				
Fees, Licenses, Taxes	1,378,995	1,420,365	4,051,731	4,221,622
Transfers	0	0	80,000	80,000
Other	45,550	47,250	60,000	60,000
Total Revenue	<u>1,424,545</u>	<u>1,467,615</u>	<u>4,191,731</u>	<u>4,361,622</u>
<u>Expenditures by Program</u>				
Centralized Services	0	0	1,657,014	1,606,362
Diagnostic Lab	1,390,384	1,477,356	81,957	55,457
Animal Health	0	0	874,683	1,019,566
Milk & Egg	325,986	331,074	0	0
Meat & Poultry Inspection	6,475	6,475	0	0
Brands Enforcement	0	0	1,107,743	1,107,743
Total Expenditures	<u>1,722,845</u>	<u>1,814,905</u>	<u>3,721,397</u>	<u>3,789,128</u>
Ending Fund Balance	<u>(\$522,843)</u>	<u>(\$870,133)</u>	<u>\$3,234,986</u>	<u>\$3,807,480</u>

The per capita fund receives its revenues from the tax levied on the ownership of cattle, horses, mules, sheep, swine, goats, poultry, bees, llamas, alpacas, bison, domestic ungulates, and ratites (rheas, emus). The Board of Livestock sets the tax rate, but is limited in statute on the amount the fee can be raised. As per 15-24-922 (2), MCA, the fee cannot be increased more than 10 percent of the revenues collected over the past three fiscal years, less a percentage of non collection. Due to this restriction, the revenue estimates provided by the department were adjusted by the LFD in the table to meet statutory restrictions.

Without the funding switch, the animal health fund is projected to have a negative ending fund balance at the end of FY 2010 and FY 2011. The per capita account will have a positive ending fund balance in both years.

Figure B shows the impact to both funds of the funding switch proposed in the executive budget. The animal health fund ending fund balance is mitigated somewhat, but a negative ending balance remains. The deficit will increase if any part of a proposed pay plan is funded from this account. The impact on the per capita fee is minimal as the balance remains healthy and the fund continues to be structurally balanced.

Figure B Department of Livestock Impact of Proposed Fund Switch				
	<u>Animal Health Fund</u>		<u>Per Capita</u>	
	FY 2010 Exec	FY 2011 Exec	FY 2010 Exec	FY 2011 Exec
	Budget	Budget	Budget	Budget
Preliminary Fund Balance	(\$522,843)	(\$870,133)	\$3,672,233	\$4,824,865
Funding Switch	<u>327,888</u>	<u>417,522</u>	<u>(327,888)</u>	<u>(417,522)</u>
Ending Fund Balance	<u>(\$194,955)</u>	<u>(\$452,611)</u>	<u>\$3,344,345</u>	<u>\$4,407,343</u>

If the legislature agrees with this option, the funding shift should be adjusted to cover the entire deficit in the animal health fund. Figure C provides the ending fund balances for both the animal health fund and the per capita fee fund under this option.

Figure C Department of Livestock Potential Fund Switch				
	<u>Animal Health Fund</u>		<u>Per Capita</u>	
	FY 2010 Exec	FY 2011 Exec	FY 2010 Exec	FY 2011 Exec
	Budget	Budget	Budget	Budget
Preliminary Fund Balance	(\$522,843)	(\$870,133)	\$3,672,233	\$4,824,865
Funding Switch	<u>522,843</u>	<u>870,133</u>	<u>(522,843)</u>	<u>(870,133)</u>
Ending Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$3,149,390</u>	<u>\$3,954,732</u>

**LFD
ISSUE****Funding Formula**

During the base year, FY 2008, the lab was funded at 27 percent general fund, 3 percent per capita fees and, 69 percent animal health fund with federal funds for the remainder. If a funding switch occurs, the per capita support of the lab increases to 21 percent in FY 2010 and 23 percent in FY 2011. Subsequently, dependence on the animal health fund is reduced to 55 percent in FY 2010 and 53 percent in FY 2011.

The funding matrix for the diagnostic lab is a policy decision of the legislature. The legislature may wish to establish a funding formula in statute that would provide long term direction regarding funding of the lab. The formula could be established to address public health benefits, actual testing costs, and infrastructure costs. Those costs could then be covered with general fund, animal health, and per capita fees.

For example, if the total benefit to the public represents 25 percent of the lab's work, then general fund would support 25 percent of the costs. The remaining costs would be established based on how much the producers should be paying when lab services are utilized via lab fees, and how much all producers should pay to have the lab available. If the legislature thought that the producers should pay equally to use the lab and to have the lab available, then the remaining 75 percent of the lab's budget would be split equally between the animal health fund and per capita fees. The executive requested budget is closer to 25 percent general fund, 22 percent per capita fees, and 53 percent animal health fees. The following table demonstrates the change in the funding between the executive proposal and a funding split of 25 percent general fund and 37.5 percent each from the animal health and per capita funds.

Figure D Department of Livestock Impact of Formula Based funding for the Diagnostic Lab				
Funding	Adj Base FY2008	FY2010 Executive	FY2010 Formula	Difference
General Fund	\$448,254	\$450,353	\$457,883	\$7,530
Livestock Per Capita	68,707	409,845	687,740	277,895
Animal Health	1,135,218	971,332	687,740	(283,592)
	<u>1,652,179</u>	<u>1,831,530</u>	<u>1,833,362</u>	<u>\$1,832</u>

The proposed split would require additional per capita fees in the amount of \$277,895 per year, but would reduce the impact on the animal health fund by \$283,592.

Option:

- Fund the lab with a statutory funding formula. This option would require a committee bill
- Do not establish a formula in statute, but establish a funding formula that reflects legislative policy
 - Fund at the executive level except adjust it to leave the animal health with a positive fund balance
 - Establish some other formula that reflects policy on how much of the lab is an overall public benefit, and its value of producers having the lab available

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	446,155	446,155	892,310	95.56%	1,664,732	1,664,732	3,329,464	81.47%
Statewide PL Adjustments	1,808	1,772	3,580	0.38%	84,698	87,466	172,164	4.21%
Other PL Adjustments	2,099	8,896	10,995	1.18%	175,293	246,600	421,893	10.32%
New Proposals	13,426	13,432	26,858	2.88%	90,451	72,986	163,437	4.00%
Total Budget	\$463,488	\$470,255	\$933,743		\$2,015,174	\$2,071,784	\$4,086,958	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					126,271					128,421
Vacancy Savings					(46,078)					(46,163)
Inflation/Deflation					3,635					3,943
Fixed Costs					870					1,265
Total Statewide Present Law Adjustments					\$84,698					\$87,466
DP 301 - Diagnostic Lab Increase GF	0.00	2,099	0	0	2,099	0.00	8,896	0	0	8,896
DP 302 - Lab Novell Server- RST/OTO	0.00	0	13,250	0	13,250	0.00	0	0	0	0
DP 303 - Lab Recharges	0.00	0	4,458	0	4,458	0.00	0	8,298	0	8,298
DP 304 - Lab Supplies	0.00	0	131,672	0	131,672	0.00	0	214,734	0	214,734
DP 305 - Lab Maintenance Contract	0.00	0	5,488	0	5,488	0.00	0	8,488	0	8,488
DP 307 - Milk Lab Incubator-OTO	0.00	0	1,442	0	1,442	0.00	0	0	0	0
DP 308 - Storage Container-OTO	0.00	0	3,200	0	3,200	0.00	0	0	0	0
DP 309 - Air conditioning - Lab Server-OTO	0.00	0	7,500	0	7,500	0.00	0	0	0	0
DP 310 - Lab Overtime	0.00	0	1,730	0	1,730	0.00	0	1,730	0	1,730
DP 311 - Out of State Travel -Lab	0.00	0	4,454	0	4,454	0.00	0	4,454	0	4,454
Total Other Present Law Adjustments	0.00	\$2,099	\$173,194	\$0	\$175,293	0.00	\$8,896	\$237,704	\$0	\$246,600
Grand Total All Present Law Adjustments					\$259,991					\$334,066

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate--** The statewide personal services adjustment represents salaries for this program at 86 percent of market relative to the 2008 executive branch market survey
- **Vacancy--** The implementation of broadband has assisted in retaining critical laboratory staff

- **Legislatively applied vacancy savings--** The division was unable to use normal staff turnover and a reduction in hours to manage to the 4.0 percent legislatively applied vacancy savings rate. The division requested and received personal services contingency funding of \$21,844 from the Governor's budget office to assist with payouts associated with the termination of long-term employees
- **Pay Changes--** Funds were not transferred from other budgeted expenditure categories. Market adjustments to align division staff pay to the agency market policy of 80 percent of market resulted in average hourly pay increasing about the same as the amount of the 3.0 percent HB 13 salary adjustments
- **Retirements--** The division anticipates ten employees would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$121,000 in unfunded compensated absence liability
 - The division utilized personal services contingency funding to address similar liabilities in FY 2008

DP 301 - Diagnostic Lab Increase GF - The executive requests an increase in general fund support of the lab to address increasing costs related to public health and other issues. This request for \$2,099 general fund in FY 2010 and \$8,896 in FY 2011 would raise general fund support in the lab to approximately \$450,000 each year.

DP 302 - Lab Novell Server- RST/OTO - The executive is requesting a replacement server for the lab. The current server is older than recommended in state policy. This one-time-only cost of \$13,250 is funded from the per capita account.

DP 303 - Lab Recharges - The executive is requesting authority to cover the increased re-charges from Montana State University for personal services and operating expenses.

DP 304 - Lab Supplies - Essential supplies for the lab have increased an average of 17 percent from FY 2006 to FY 2008. The executive is requesting a 17 percent incremental increase from the base expenditures through FY 2011. This would increase the base budget to \$488,603 in FY2010 and \$571,665 in FY 2011. This increase is funded from the animal health fund.

DP 305 - Lab Maintenance Contract - The executive is requesting an increase to cover lab maintenance contracts. The base amount of \$36,512 would be increased to \$42,000 in FY 2010 and \$45,000 in FY 2011.

DP 307 - Milk Lab Incubator-OTO - The present milk incubator is over 15 years old. The executive is requesting the authority to replace this equipment.

DP 308 - Storage Container-OTO - Storage space within the Marsh Laboratory is limited. The executive is requesting the authority to purchase a storage container.

DP 309 - Air conditioning - Lab Server-OTO - The executive is asking for authority to replace the air condition unit in the lab's server room. The current unit does not provide sufficient cooling capacity to protect the server.

DP 310 - Lab Overtime - Peak periods at the lab require occasional overtime. The executive requests to restore lab overtime to the base level of \$1,730.

DP 311 - Out of State Travel -Lab - The executive is seeking appropriation authority to increase out-of-state travel for lab professionals by \$4,554 each year of the biennium. This decision package adjusts the base to \$6,826 each year, enough to fund five out-of-state trips.

New Proposals

New Proposals -----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 312 - Lab Funding Shortfall										
03	0.00	0	0	0	0	0.00	0	0	0	0
DP 313 - Lab Molecular Technologist - FTE										
03	1.00	0	46,098	0	46,098	1.00	0	46,121	0	46,121
DP 314 - Remodel PCR Area - OTO										
03	0.00	0	17,500	0	17,500	0.00	0	0	0	0
DP 315 - Brucellosis Herd Plan										
03	0.50	13,426	13,427	0	26,853	0.50	13,432	13,433	0	26,865
Total	1.50	\$13,426	\$77,025	\$0	\$90,451	1.50	\$13,432	\$59,554	\$0	\$72,986

DP 312 - Lab Funding Shortfall - The executive is requesting a funding switch for lab operations from the animal health fund to the per capita fee to resolve lab funding issues. This decision package will reduce the lab's animal health funding by \$327,888 in FY 2010 and \$417,552 in FY 2011 and increase the per capita fee funding by the same amount.

LFD COMMENT

Per a future discussion see the Funding Section of this narrative.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This proposal is needed as actual lab fees collected in FY 2008 were less than appropriated. Of the \$1,228,478 appropriated in FY 2008 only \$849,786 was realized. The Board of Livestock has raised lab fees several times during the last two biennia. The Montana Diagnostic Laboratory has the highest portion of user fees funding in the region. Compared to our neighboring states, Montana's user fees are 73 percent, North Dakota is 30 percent, South Dakota is 50 percent and Wyoming is 40 percent. The lab fees are paid by producers or their vets for specific lab tests. This over-reliance on user fees was a major cause of concern by the American Academy of Veterinary Diagnostic Laboratories, the accrediting body of the diagnostic lab.

Goal: The goal is to properly fund the lab and meet national accreditation standards. When lab fees collected are less than authorized, the department must meet the shortfall from whatever legal means possible. In the past this has been program transfers and non budgeted transfers of per capita fees. Our goal is to not have to make such transfers at fiscal year end.

Performance Criteria: A budget status report is regularly presented to the Board of Livestock. The board meets every two months. The revenue receipts are presented including lab fees and per capita fee. Expenditures are also presented and discussed.

Milestones: The new funding structure will begin July 1, 2009 if approved by the Legislature. At the end of each fiscal year we will evaluate funding budgeted and actual revenues received.

FTE: The Centralized Services Division will monitor the revenue received and account for the expenditures throughout each fiscal year. The Diagnostic Laboratory will perform all testing services that generate the revenue.

Funding: The proposal is funding neutral. Both the animal health fund and the per capita fee are state special revenue accounts. Both are revenues paid by livestock producers. The difference is that lab fees are paid directly by the producers either to their vet in the form of a bill or to the lab for test services provided. When per capita fees are used, all producers are funding the lab whether they have specific services provided or not.

Obstacles: The major challenge is the producer's ability to pay. Livestock producers face many elements out of their control. They cannot control the weather such as drought, prices, or birth rates, nor can they predict diseases or predator depredation to their herds. The board addresses the per capita fee funding each year. They have no control over the headcount experience in the state.

Risk: The risk to the department is the continual budgeting of more animal health funds than the lab can generate. This requires budgeted and non budgeted transfers of per capita fee funds to the lab. The practice of non budgeted transfers is undesirable at best and should not be continued.

**LFD
ISSUE**

Options for Funding Switch- This decision package switches out base funding for the diagnostic lab. The legislature may wish to address the negative ending fund balance in the animal account by transferring additional authority. The legislature also has the option of requesting legislation to establish lab funding policy. See program issues for more information.

DP 313 - Lab Molecular Technologist - FTE - The executive is proposing to make a modified FTE permanent. The 2007 Legislature provided one-time-only authority for this position. The position develops, validates, incorporates and performs polymerase chain reaction testing for the lab.

DP 314 - Remodel PCR Area - OTO - The executive is requesting \$17,500 in FY 2010 only to convert the lunch room at the lab into a polymerase chain reaction testing area.

DP 315 - Brucellosis Herd Plan - The executive is requesting 0.50 FTE for an additional lab molecular technologist to assist with the influx of brucellosis testing. This proposal is split equally between general fund and per capita fees.

**LFD
COMMENT**

This FTE is part of the Governor's plan to regain and maintain Montana's brucellosis free status. Please see Agency Issues section for additional information.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	14.00	14.00	16.00	16.00	14.00	16.00	2.00	14.29%
Personal Services	576,413	760,457	886,719	891,076	1,336,870	1,777,795	440,925	32.98%
Operating Expenses	778,272	690,092	1,090,339	1,276,548	1,468,364	2,366,887	898,523	61.19%
Equipment & Intangible Assets	21,175	72,225	47,175	47,175	93,400	94,350	950	1.02%
Total Costs	\$1,375,860	\$1,522,774	\$2,024,233	\$2,214,799	\$2,898,634	\$4,239,032	\$1,340,398	46.24%
General Fund	0	0	307,824	352,637	0	660,461	660,461	n/a
State Special	479,454	559,257	909,200	1,051,298	1,038,711	1,960,498	921,787	88.74%
Federal Special	896,406	963,517	807,209	810,864	1,859,923	1,618,073	(241,850)	(13.00%)
Total Funds	\$1,375,860	\$1,522,774	\$2,024,233	\$2,214,799	\$2,898,634	\$4,239,032	\$1,340,398	46.24%

Program Description

The Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and alternative livestock animals. The program cooperates with the Departments of Public Health and Human Services, Fish, Wildlife and Parks, and the U.S. Department of Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The Rabies Control Unit protects public and animal health from rabies by monitoring new rabies infections, and enforcing quarantines.

Program Highlights

Animal Health Major Program Highlights	
<ul style="list-style-type: none"> ◆ The executive is requesting \$1.2 million over the biennium to implement a plan to regain brucellosis disease free status ◆ The executive is requesting authority for increased support for import services ◆ One-time only general fund is being requested to replace the animal health tracking and permit system ◆ Multiple goals were submitted with the same objectives 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The request for one-time-only funding may include on-going costs ◆ The workload issue in import services needs to be clearly defined ◆ Specific objectives should be written for each goal 	

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee selected the following goal to monitor during the 2009 interim:

- Safeguard the health and food production capacity of the State's animals and poultry by providing for the diagnosis, prevention, control, and eradication of animal diseases; preserve the economic viability of the livestock industry; protect public health by limiting the transmission of animal diseases to man; and address other health risks

The department was able to provide some data regarding the import and quarantine activities, but was unable to verify the accuracy due to a database failure.

**LFD
COMMENT**

The executive is requesting authority to replace the failed system with a web-based application. See DP 407.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals include:

- Prevention, control, and eradication of animal diseases
- Aid in reducing the risk associated with rabies and other zoonotic diseases to humans and animals for the protection of public health

The division lists objectives for all goals as the following:

- Provide 24 hours a day seven days per week customer services for import permits
- Quarantine for disease events immediately upon notification or within 48 hours of laboratory diagnosis. Quarantine illegal imports within one week of entry
- Cooperate with the Department of Health and Human Services in monitoring zoonotic diseases, educating local public health and veterinary officials in required response to positive diagnoses especially for rabies, and assist in prevention and control measure at the local and state levels

**LFD
ISSUE**

Objectives should relate to a specific goal

Objectives provided are not measurable

Each goal should have its own related set of objectives in order to evaluate progress toward the goal. Objectives should be specific, measurable, accountable, reportable, and time bound. This type of objective allows the reader to make a determination regarding what the program intends to accomplish to reach the goals. The objectives provide relate only to the day-to-day activities within the program. The legislature may wish to discuss with the division appropriately written objectives to each goal.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Animal Health Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ -	-	\$ 307,824	15.2%	\$ 352,637	15.9%
01100 General Fund	-	-	307,824	15.2%	352,637	15.9%
02000 Total State Special Funds	479,454	34.8%	909,200	44.9%	1,051,298	47.5%
02426 Lvstk Per Capita	479,454	34.8%	874,683	43.2%	1,019,566	46.0%
02427 Animal Health	-	-	34,517	1.7%	31,732	1.4%
03000 Total Federal Special Funds	896,406	65.2%	807,209	39.9%	810,864	36.6%
03427 Bison Trap Funds	896,406	65.2%	807,209	39.9%	810,864	36.6%
Grand Total	<u>1,375,860</u>	100.0%	<u>2,024,233</u>	100.0%	<u>2,214,799</u>	100.0%

State special revenue, primarily the livestock per capita fund, supports disease control, import/export activities, and

alternative livestock activities and is projected to increase 20 percent over the biennium. Federal funds support bison operations and the Greater Yellowstone Interagency Brucellosis Committee (GYIBC) research and cooperative efforts.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	1,375,860	1,375,860	2,751,720	64.91%
Statewide PL Adjustments	0	0	0	0.00%	202,165	207,810	409,975	9.67%
Other PL Adjustments	0	0	0	0.00%	29,276	29,276	58,552	1.38%
New Proposals	307,824	352,637	660,461	100.00%	416,932	601,853	1,018,785	24.03%
Total Budget	\$307,824	\$352,637	\$660,461		\$2,024,233	\$2,214,799	\$4,239,032	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					225,528					230,026
Vacancy Savings					(32,078)					(32,258)
Inflation/Deflation					8,481					9,699
Fixed Costs					234					343
Total Statewide Present Law Adjustments					\$202,165					\$207,810
DP 403 - Animal Health - Vehicle Replacements - OTO	0.00	0	26,000	0	26,000	0.00	0	26,000	0	26,000
DP 405 - Animal Health - Out of State Travel	0.00	0	1,874	0	1,874	0.00	0	1,874	0	1,874
DP 406 - Animal Health - Overtime	0.00	0	1,402	0	1,402	0.00	0	1,402	0	1,402
Total Other Present Law Adjustments	0.00	\$0	\$29,276	\$0	\$29,276	0.00	\$0	\$29,276	\$0	\$29,276
Grand Total All Present Law Adjustments					\$231,441					\$237,086

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate--** The statewide personal services adjustment represents salaries for this program at 92 percent of market relative to the 2008 executive branch market survey
- **Vacancy--** The division is not experiencing difficulties in recruiting or retaining staff
- **Legislatively applied vacancy savings--** The division was unable to use normal staff turnover and a reduction in hours to manage to the 4.0 percent legislatively applied vacancy savings rate. The division requested and received personal services contingency funding of \$29,498 from the Governor's budget office to assist with payouts associated with the termination of long-term employees
- **Pay Changes--** Funds were not transferred from other budgeted expenditure categories. The division provided only the 3.0 percent HB 13 salary adjustments

- **Retirements--** The division anticipates one employee would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$17,000 in unfunded compensated absence liability

DP 403 - Animal Health - Vehicle Replacements - OTO - The executive is requesting state special revenue authority to replace two extended cab pickups for hybrid Escapes at an estimated cost of \$26,000 each. This package is funded with per capita fees.

DP 405 - Animal Health - Out of State Travel - The executive is seeking appropriation authority to increase out-of-state travel for lab professionals by \$1,874 each year of the biennium. This decision package adjusts the base to \$8,364 each year, enough to fund six out-of-state trips.

**LFD
COMMENT**

This represents a 28.8 percent increase in out-of state travel. See agency issues for further information.

DP 406 - Animal Health - Overtime - The animal health program utilizes overtime during peak workload periods. The executive requests to restore overtime to the base level of \$1,402.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 404 - Bison Federal Funds										
04	(1.00)	0	0	(135,132)	(135,132)	(1.00)	0	0	(135,153)	(135,153)
DP 407 - Animal Health System Development - OTO/Bien										
04	0.00	98,100	0	0	98,100	0.00	0	0	0	0
DP 408 - Animal Health - Administrative Support										
04	1.00	0	34,517	0	34,517	1.00	0	31,732	0	31,732
DP 409 - Brucellosis Herd Plan										
04	2.00	209,724	209,723	0	419,447	2.00	352,637	352,637	0	705,274
Total	2.00	\$307,824	\$244,240	(\$135,132)	\$416,932	2.00	\$352,637	\$384,369	(\$135,153)	\$601,853

DP 404 - Bison Federal Funds - The executive is seeking to align authority with available bison federal funds. This reduction aligns authority with the current USDA and Greater Yellowstone Brucellosis Committee contracts.

DP 407 - Animal Health System Development - OTO/Bien - The animal health tracking and permit system software is 17 years old and is running on an outdated platform. The executive seeks the authority to replace the system with an upgraded web based system. In conjunction with ITSD, the department has determined that the new system would require \$90,600 for software application and \$7,500 for installation services, training, travel, and other overhead costs to bring the system on-line. This request is for a total of \$98,100 of general fund.

**LFD
COMMENT**

One time vs. on-going costs - The procurement of the software is a one-time only expense. However, support costs such as maintenance are considered on-going costs. The legislature may wish to restrict \$90,600 as one-time only and add the remaining \$7,500 to the base for on-going costs.

DP 408 - Animal Health - Administrative Support - The executive budget includes \$30,713 in FY 2010 and \$30,728 in FY 2011 to support 1.00 FTE in the import office to provide consistent coverage of the permitting phone line during business hours.

**LFD
ISSUE**

The department contends that this position is needed to meet statutory obligations, and provide timely and accurate responses to inquiries, requests of licensure, and import applications. However, this was not demonstrated in terms of what statute requires and what is or is not being completed. If the legislature seeks to provide a resource to correct a workload issue that workload issue should be clearly defined in advance and incremental goals for program improvement should be negotiated. Without such information the legislature is not adequately informed regarding the problem that needs to be solved.

DP 409 - Brucellosis Herd Plan - The executive recommends adding 2.00 FTE and \$419,447 in FY 2010 and \$705,274 in FY 2011 of equal amounts of general fund and state special revenue to fund longer term surveillance and mitigation activities related to regaining the Class Free brucellosis status for the State of Montana. This type of surveillance is requested due to the known risk exposure in the greater Yellowstone area.

**LFD
COMMENT**

See the agency narrative for the discussion regarding the implementation and funding of the Brucellosis Action Plan.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	242,554	289,078	282,215	282,937	531,632	565,152	33,520	6.31%
Operating Expenses	46,962	48,551	52,771	57,137	95,513	109,908	14,395	15.07%
Equipment & Intangible Assets	0	0	26,000	26,000	0	52,000	52,000	n/a
Total Costs	\$289,516	\$337,629	\$360,986	\$366,074	\$627,145	\$727,060	\$99,915	15.93%
State Special	271,635	302,616	325,986	331,074	574,251	657,060	82,809	14.42%
Federal Special	17,881	35,013	35,000	35,000	52,894	70,000	17,106	32.34%
Total Funds	\$289,516	\$337,629	\$360,986	\$366,074	\$627,145	\$727,060	\$99,915	15.93%

Program Description

The Milk and Egg program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws is accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Program Highlights

Milk and Egg Program Major Program Highlights	
♦	The executive recommends increases for two replacement vehicles and out-of-state travel
♦	The goal of the program addresses safe products for consumers
Major LFD Issues	
♦	Out of state travel is budgeted at a 138 percent increase in base expenditures
♦	The objectives should contain a means to measure change in performance from previous years

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee did not monitor any goals for this division.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The program listed the following goal and related objectives:

- To ensure that eggs, milk, and milk products sold or processed in Montana are safe and wholesome and comply with standards and labels for those products
 - Review completed inspection results for each type of license issued to ensure that all laws and regulations are met and any violations are documented and addressed

- Review all documentation of laboratory test reports to ensure that all non-compliance issues are addressed in accordance with all laws and regulations
- Review all employee training records and all employee evaluation appraisals to ensure a consistency in training and evaluations

**LFD
ISSUE**

Objectives provided are not measurable

The progress toward the goal is evaluated with measurable objectives. Objectives should be specific, measurable, accountable, reportable and time bound. The above are specific and accountable, but need to address the time frame of the activities and the measurement to be used to determine success. That measurement could be the comparison of data from year to year to determine if there is an increase or decrease in deficiencies.

The legislature may wish to discuss with the division appropriately written goals and objectives.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Milk & Egg Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
02000 Total State Special Funds	\$ 271,635	93.8%	\$ 325,986	90.3%	\$ 331,074	90.4%
02425 Inspection And Control	-	-	-	-	-	-
02427 Animal Health	271,635	93.8%	325,986	90.3%	331,074	90.4%
03000 Total Federal Special Funds	17,881	6.2%	35,000	9.7%	35,000	9.6%
03032 Animal Health Sp. Rev	17,881	6.2%	35,000	9.7%	35,000	9.6%
Grand Total	<u>\$ 289,516</u>	100.0%	<u>\$ 360,986</u>	100.0%	<u>\$ 366,074</u>	100.0%

State special revenue from milk industry fees is the primary funding source for this division. Federal special revenues are provided by the U.S. Department of Agriculture to conduct shell egg surveillance.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	0	0	0	0.00%	289,516	289,516	579,032	79.64%
Statewide PL Adjustments	0	0	0	0.00%	43,289	44,617	87,906	12.09%
Other PL Adjustments	0	0	0	0.00%	28,181	31,941	60,122	8.27%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$360,986	\$366,074	\$727,060	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				51,420					52,173	
Vacancy Savings				(11,759)					(11,790)	
Inflation/Deflation				3,380					3,874	
Fixed Costs				248					360	
Total Statewide Present Law Adjustments				\$43,289					\$44,617	
DP 501 - Milk & Egg Bureau Vehicle Replacement - OTO										
0.00	0	26,000	0	26,000	0.00	0	26,000	0	26,000	
DP 502 - Milk & Egg - Out of State Travel										
0.00	0	2,181	0	2,181	0.00	0	5,941	0	5,941	
Total Other Present Law Adjustments										
0.00	\$0	\$28,181	\$0	\$28,181	0.00	\$0	\$31,941	\$0	\$31,941	
Grand Total All Present Law Adjustments				\$71,470					\$76,558	

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate--** The statewide personal services adjustment represents salaries for this program at 89 percent of market relative to the 2008 executive branch market survey
- **Vacancy--** The implementation of pay plan 20 has assisted in retaining staff
- **Legislatively applied vacancy savings--** Eliminating the impact of vacancy savings the division under spent its personal services authority by 10 percent
- **Pay Changes--** Funds were not transferred from other budgeted expenditure categories. Market adjustments to align division staff pay to the agency market policy of 80 percent of market resulted in average hourly pay increasing of one percent in addition to the 3.0 percent HB 13 salary adjustments
- **Retirements--** The division anticipates two employees would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$20,000 in unfunded compensated absence liability

DP 501 - Milk & Egg Bureau Vehicle Replacement - OTO - Milk and Egg Bureau-OTO - The executive is requesting one-time-only authority to replace two extended cab pickups for hybrid Escapes at an estimated cost of \$26,000 each.

DP 502 - Milk & Egg - Out of State Travel - The executive is seeking appropriation authority to increase out-of-state travel for the sanitarians by \$2,181 in FY 2010 and \$5,941 in FY 2011. This decision package increases the base to \$3,758 and provides \$7,520 in authority in FY2011.

LFD COMMENT

The department spent \$1,579 in out-of-state travel in the base year, so this is a 138 percent increase. The FY 2011 request represents an increase of 376 percent over the base year. See the agency issue section for more information.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 503 - Milk & Egg Funding Switch 05	0.00	0	(35,000)	35,000	0	0.00	0	(35,000)	35,000	0
Total	0.00	\$0	(\$35,000)	\$35,000	\$0	0.00	\$0	(\$35,000)	\$35,000	\$0

DP 503 - Milk & Egg Funding Switch - The milk sanitarians often inspect dairies that are also egg production operations. The federal government reimburses the bureau for its inspection of these egg operations in accordance with federal standards. These funds are used to offset state costs. The executive is requesting authority to reduce state special revenue authority and increase federal authority.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	57.21	57.21	57.21	59.21	57.21	59.21	2.00	3.50%
Personal Services	2,464,060	2,731,680	2,665,287	2,741,769	5,195,740	5,407,056	211,316	4.07%
Operating Expenses	407,009	320,804	632,246	570,811	727,813	1,203,057	475,244	65.30%
Equipment & Intangible Assets	42,274	35,288	130,000	130,000	77,562	260,000	182,438	235.22%
Total Costs	\$2,913,343	\$3,087,772	\$3,427,533	\$3,442,580	\$6,001,115	\$6,870,113	\$868,998	14.48%
General Fund	3,057	4,682	175,406	14,156	7,739	189,562	181,823	2,349.44%
State Special	2,910,286	3,083,090	3,252,127	3,428,424	5,993,376	6,680,551	687,175	11.47%
Total Funds	\$2,913,343	\$3,087,772	\$3,427,533	\$3,442,580	\$6,001,115	\$6,870,113	\$868,998	14.48%

Program Description

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and livestock inspections

Program Highlights

Brand Enforcement Major Program Highlights
<ul style="list-style-type: none"> ◆ The executive is requesting one-time-only funding for the ten-year brand re-record project and to replace the brand computer system ◆ The division's goal is in relation to the effectiveness of professional law enforcement activities ◆ General fund increases by over 2000 percent due to a one-time-only request for a system upgrade for the brand recording and lookup system
Major LFD Issues
<ul style="list-style-type: none"> ◆ The replacement of the brand computer system contains some on-going costs ◆ The objectives should contain a means to measure change in performance from previous years

Program Narrative

2009 Biennium Monitored Goals and Objectives

The Legislative Finance Committee selected the following goal to monitor during the 2009 interim:

- To provide to the livestock industry with professional law enforcement and investigative work in the tracking of livestock ownership and in the deterrence and/or solution of related criminal activities.

The department was able to provide inspection counts, investigation counts and case load numbers; however inspection violations were not determinable by the current record keeping system.

**LFD
COMMENT**

The executive is requesting authority to replace the current system with a new application. The legislature may wish to inquire if the department will be able to track inspection violations in the new system. See DP 604.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The division proposes the same goal (and objectives) for the 2011 biennium as was submitted for the 2011 biennium:

- To provide to the livestock industry with professional law enforcement and investigative work in the tracking of livestock ownership and in the deterrence and/or solution of related criminal activities
 - Number of livestock inspection violations discovered compared to the number of inspection violations charged
 - Number of criminal activity complaints reported compared to the number of criminal activities complaints charged

**LFD
COMMENT**

The objectives would be stronger if the data collected was compared to similar historical data. With the comparison the division could tell if violations and criminal activities are greater, the same, or less than previous years.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Brands Enforcement Division						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 3,057	0.1%	\$ 175,406	5.1%	\$ 14,156	0.4%
01100 General Fund	3,057	0.1%	175,406	5.1%	14,156	0.4%
02000 Total State Special Funds	2,910,286	99.9%	3,252,127	94.9%	3,428,424	99.6%
02425 Inspection And Control	1,802,543	61.9%	2,144,657	62.6%	2,320,988	67.4%
02426 Lvstk Per Capita	<u>1,107,743</u>	<u>38.0%</u>	<u>1,107,470</u>	<u>32.3%</u>	<u>1,107,436</u>	<u>32.2%</u>
Grand Total	<u>\$ 2,913,343</u>	100.0%	<u>\$ 3,427,533</u>	100.0%	<u>\$ 3,442,580</u>	100.0%

The Brand Enforcement Division is funded with general fund, per capita fees, and inspection and control funds. Inspection and control funds are generated from brand recordings, and market and local inspections.

**LFD
ISSUE**

Fund is not structurally balanced

Figure A illustrates the condition of the inspection and control fund after the executive's proposed budget has been accounted for. If all proposed decision packages are approved, the fund is structurally unbalanced in FY 2010, when proposed expenditures of \$2.1 million exceed projected revenues of \$2.0 million. With large one-time-only requests in FY 2011 for brand re-recording, FY 2011 proposed expenditures exceed projected revenues. By the end of FY 2011, the estimated fund balance is a negative \$36,251. The deficit may grow if any pay plan is funded with the inspection and control fund.

Figure A
Historical and Projected Fund Analysis
Inspection & Control Fund - Montana Department of Livestock
Fiscal Years 2008 Through 2011

Item	FY 2008 Exec Budget	FY 2009 Exec Budget	FY 2010 Exec Budget	FY 2011 Exec Budget
Beginning Fund Balance	\$68,803	\$211,087	290,577	123,154
Adjustment to Fund Balance	1,983	0	0	0
<u>Revenue</u>				
Fees, Licenses, Taxes	1,856,571	1,881,716	1,887,716	2,071,600
Transfers	10,810	19,000	20,000	20,000
Other	<u>73,604</u>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
Total Revenue	<u>\$1,940,985</u>	<u>\$1,970,716</u>	<u>\$1,977,716</u>	<u>\$2,161,600</u>
<u>Expenditures by Program</u>				
Centralized Services	\$0	\$0	\$0	\$0
Diagnostic Laboratory	0	0	0	0
Animal Health	0	0	0	0
Milk & Egg	0	0	0	0
Brands Enforcement	1,800,684	1,891,226	2,145,139	2,321,005
Meat/Poultry Inspection	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>1,800,684</u>	<u>1,891,226</u>	<u>2,145,139</u>	<u>2,321,005</u>
Ending Fund Balance	<u>\$211,087</u>	<u>\$290,577</u>	<u>\$123,154</u>	<u>(\$36,251)</u>

The legislature may wish to address the negative ending fund balance by one or more of the following:

- Direct the department to increase inspection fees to cover increased costs
- Fund a portion of the increased costs with another source of state special revenue, such as per capita fee
- Recommend an expenditure level that does not exceed revenue estimates by reducing one-time-only costs such as vehicle purchase and fire arms

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	3,057	3,057	6,114	3.23%	2,913,343	2,913,343	5,826,686	84.81%
Statewide PL Adjustments	(1)	(1)	(2)	0.00%	151,644	162,960	314,604	4.58%
Other PL Adjustments	0	0	0	0.00%	190,196	175,196	365,392	5.32%
New Proposals	172,350	11,100	183,450	96.78%	172,350	191,081	363,431	5.29%
Total Budget	\$175,406	\$14,156	\$189,562		\$3,427,533	\$3,442,580	\$6,870,113	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					228,404					234,609
Vacancy Savings					(107,700)					(107,944)
Inflation/Deflation					28,593					32,884
Fixed Costs					2,347					3,411
Total Statewide Present Law Adjustments					\$151,644					\$162,960
DP 602 - Brands - Vehicle Replacement - OTO	0.00	0	87,726	0	87,726	0.00	0	87,726	0	87,726
DP 603 - Brands - Firearm Replacement - OTO	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 605 - Brands - Overtime	0.00	0	80,523	0	80,523	0.00	0	80,523	0	80,523
DP 606 - Brands - Out of State Travel	0.00	0	6,947	0	6,947	0.00	0	6,947	0	6,947
Total Other Present Law Adjustments	0.00	\$0	\$190,196	\$0	\$190,196	0.00	\$0	\$175,196	\$0	\$175,196
Grand Total All Present Law Adjustments					\$341,840					\$338,156

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate**—The statewide personal services adjustment represents salaries for this program at 83 percent of market relative to the 2008 executive branch market survey
- **Vacancy**—The implementation of broadband has assisted in retaining staff. The department has begun to extend a moving allowance to attract staff
- **Legislatively applied vacancy savings**—The division was unable to use normal staff turnover and a reduction in hours to manage to the 4.0 percent legislatively applied vacancy savings rate. The division requested and received personal services contingency funding of \$65,525 from the Governor’s budget office to assist with payouts associated with the termination of long-term employees

- **Pay Changes**—Funds were not transferred from other budgeted expenditure categories. Market adjustments to align division staff pay to the agency market policy of 80 percent of market resulted in average hourly pay increasing twice the amount provided by the 3.0 percent HB 13 salary adjustments
- **Retirements**—The division anticipates twenty employees would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$322,254 in unfunded compensated absence liability

DP 602 - Brands - Vehicle Replacement - OTO - The Brand Enforcement Division has no regional offices. Instead 22.00 FTE utilize pickups to do their work. The executive is requesting authority to replace five pick-ups each year of the biennium.

**LFD
COMMENT**

The department has base authority of \$42,373. This provides the department with approximately \$130,000 in authority each year of the biennium from the inspection and control fund.

DP 603 - Brands - Firearm Replacement - OTO - The Brand Enforcement Division has sworn law enforcement officers who have powers of arrest and carry firearms. The division has not replaced handguns since 1992. The executive is requesting one-time-only authority to replace 30 firearms. These costs are funded from inspection and control revenues.

DP 605 - Brands - Overtime - The executive budget includes the base amount of \$80,523 each year of the biennium to fund overtime costs. These costs are funded from inspection and control revenues.

DP 606 - Brands - Out of State Travel - The executive is seeking appropriation authority to increase out-of-state travel for enforcement professionals by \$6,947 each year of the biennium. This decision package adjusts the base to \$9,382 per year, enough to fund five out-of-state trips.

**LFD
ISSUE**

This decision package increases the base budget by 277 percent. See agency issues for additional information.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 601 - Brands - Ten Year Rerecord - OTO										
06	0.00	0	0	0	0	2.00	0	179,981	0	179,981
DP 604 - Brands - System Upgrade - OTO/Bien										
06	0.00	172,350	0	0	172,350	0.00	11,100	0	0	11,100
Total	0.00	\$172,350	\$0	\$0	\$172,350	2.00	\$11,100	\$179,981	\$0	\$191,081

DP 601 - Brands - Ten Year Rerecord - OTO - The Brand Enforcement Division rerecords all brands every ten years. The next scheduled recording is in FY 2011. The executive is requesting authority for 2.00 FTE and operating costs to complete the process.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The Brand Enforcement Division rerecords all brands every ten years, as required per 81-3-104, MCA. This is a major funding source since the fee to rerecord is \$100 per brand. This could bring in as much as \$6 million in brand enforcement revenue.

Objective: The goal is to notify every brand owner of rerecord requirements and complete all rerecords in a timely manner. It is our goal to ensure that all brands are properly recorded for the benefit of the livestock industry. It is also our goal to have maximum participation and accountability of the initial notification and subsequent returns.

Performance Criteria: Division management will measure the project's progress by bar code tracking of how many rerecord notices are sent out as compared to recorded brands in the system. This will enable staff to identify any missing notices and to resend them, and to timely process the returned applications and resend the notices returned due to incorrect addresses.

Milestones: The rerecord notices must be returned postmarked by December 31, 2011. Two additional FTE will be hired to do this work. The first position is a lead worker and will be hired July of 2010 to begin the massive process. By January 2011 the second position will be double filled and all three workers will be heavily involved with all re-recording.

FTE: The work will be directed by the Brand Enforcement Division Administrator. Key existing staff such as the brand recorder will also manage the daily work. Because of the heavy workload demand, 2.00 FTE will be hired as referred to above.

Funding: By statute 81-3-107 MCA, revenue generated by the brand rerecord is deposited in a state special revenue fund (02425 brand enforcement revenue fund). This statute also stipulates that only ten percent of the total rerecord collected can be used by the department each year of the ten-year cycle.

Obstacles: The major challenge is to get all the notices out in a timely fashion, track the notices sent and compare them to those returned and ultimately rerecorded. Since there are so many brands to rerecord it is a challenge to carry out the process and continue to get regular division work done. It is also a challenge to ensure that our technology systems successfully function throughout the process.

Risk: The industry must have proper brand identification to track all ownership and movement of livestock. Ranchers in our industry must have proper identification to secure all brand liens vital to their operation. The rerecord process ensures continuity of business operations for all Montana producers and livestock auction markets. Animal identification is also critical to disease control and state and national security. Delayed or inefficient management of this process could result in a loss of vital revenue to the producer and the department.

DP 604 - Brands - System Upgrade - OTO/Bien - The executive recommends \$172,530 in FY 2010 and \$11,100 in FY 2011 of one-time only general fund authority to replace the Brand Enforcement Division recording and look up system. This change would allow a producer to procure a brand or look up a brand over the Internet. This proposal includes \$11,100 to lease an oracle server.

**LFD
ISSUE**

Not all one-time-only costs – The cost to lease the server is an on-going cost. The legislature may wish to consider restricting only the software and development costs to one-time only and add the lease costs to the base budget.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	20.50	20.50	20.50	20.50	20.50	20.50	0.00	0.00%
Personal Services	838,063	928,087	927,911	930,726	1,766,150	1,858,637	92,487	5.24%
Operating Expenses	249,759	318,702	308,383	310,312	568,461	618,695	50,234	8.84%
Total Costs	\$1,087,822	\$1,246,789	\$1,236,294	\$1,241,038	\$2,334,611	\$2,477,332	\$142,721	6.11%
General Fund	562,106	619,785	614,939	617,314	1,181,891	1,232,253	50,362	4.26%
State Special	2,200	6,475	6,416	6,410	8,675	12,826	4,151	47.85%
Federal Special	523,516	620,529	614,939	617,314	1,144,045	1,232,253	88,208	7.71%
Total Funds	\$1,087,822	\$1,246,789	\$1,236,294	\$1,241,038	\$2,334,611	\$2,477,332	\$142,721	6.11%

Program Description

The Meat and Poultry Inspection Program was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

Program Highlights

Meat, Milk and Egg Inspection Major Program Highlights	
♦	The executive is requesting an increase in base operations due to changes in meat inspection regulations
♦	The goal of the program addresses safe products for consumers
Major LFD Issues	
♦	Out-of-state travel increases by over 400 percent
♦	The objectives should contain a means to measure change in performance from previous years

Program Narrative

2009 Monitored Goals and Objectives

No goals were monitored in the 2009 biennium.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The Legislative Fiscal Division recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The program listed the following goal and related objectives:

- To ensure that safe, wholesome, properly labeled meat and poultry products are being offered for sale to Montana consumers
 - On an on-going basis, review completed inspection results for each type of licensed establishment to ensure that all laws and regulations are met and any deficiencies are documented and addressed

- On an on-going basis, review all documentation on reports of non-compliance issues to ensure all laws and regulations are met and any deficiencies are documented and addressed
- On an on-going basis, review all employee training records and all employee evaluation appraisals to ensure a consistency in training and evaluations

**LFD
ISSUE**

Objectives provided are not measurable

The progress towards the goal is evaluated with measurable objectives. Objectives should be specific, measurable, accountable, reportable and time bound. The above are specific and accountable, but need to address the time frame of the activities and the measurement to be used to determine success. That measurement could be the comparison of data from year to year to determine if there is an increase or decrease in deficiencies.

The legislature may wish to discuss with the division appropriately written objectives to each goal prior to taking action on the proposed budget.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table							
Meat/Poultry Inspection							
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011	
01000 Total General Fund	\$ 562,106	51.7%	\$ 614,939	49.7%	\$ 617,314	49.7%	
01100 General Fund	562,106	51.7%	614,939	49.7%	617,314	49.7%	
02000 Total State Special Funds	2,200	0.2%	6,416	0.5%	6,410	0.5%	
02427 Animal Health	2,200	0.2%	6,416	0.5%	6,410	0.5%	
03000 Total Federal Special Funds	523,516	48.1%	614,939	49.7%	617,314	49.7%	
03209 Meat/Poultry Inspection Sp Rev	523,516	48.1%	614,939	49.7%	617,314	49.7%	
Grand Total	\$ 1,087,822	100.0%	\$ 1,236,294	100.0%	\$ 1,241,038	100.0%	

The majority of meat and poultry inspection program funding is split evenly between federal funds and the general fund. Per cooperative agreement with the US Department of Agriculture, state special revenue funds cannot be used as match when they are derived through a fee on producers being inspected by the program. Since the majority of state special revenue funds are generated from fees on producers being inspected, general fund is used as match. A small portion of state special revenue derived from inspection fees on facilities are used in this division.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	562,106	562,106	1,124,212	91.23%	1,087,822	1,087,822	2,175,644	87.82%
Statewide PL Adjustments	34,145	36,520	70,665	5.73%	111,096	115,840	226,936	9.16%
Other PL Adjustments	18,688	18,688	37,376	3.03%	37,376	37,376	74,752	3.02%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$614,939	\$617,314	\$1,232,253		\$1,236,294	\$1,241,038	\$2,477,332	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				128,512						131,445
Vacancy Savings				(38,664)						(38,782)
Inflation/Deflation				21,248						23,177
Total Statewide Present Law Adjustments				\$111,096						\$115,840
DP 1001 - Meat Inspection - Computers-OTO										
0.00	8,750	0	8,750	17,500	0.00	8,750	0	8,750	17,500	
DP 1002 - Meat Inspection - Lab Sampling										
0.00	1,388	0	1,388	2,776	0.00	1,388	0	1,388	2,776	
DP 1003 - Meat Inspection - Out of State Travel										
0.00	1,573	0	1,574	3,147	0.00	1,573	0	1,574	3,147	
DP 1004 - PHPCIS - Maintenance Contracts & Service										
0.00	6,977	0	6,976	13,953	0.00	6,977	0	6,976	13,953	
Total Other Present Law Adjustments										
0.00	\$18,688	\$0	\$18,688	\$37,376	0.00	\$18,688	\$0	\$18,688	\$37,376	
Grand Total All Present Law Adjustments				\$148,472						\$153,216

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate**—The statewide personal services adjustment represents salaries for this program at 86 percent of market relative to the 2008 executive branch market survey
- **Vacancy**—The implementation of pay plan 20 has assisted in retaining staff
- **Legislatively applied vacancy savings**—The division was unable to use normal staff turnover and a reduction in hours to manage to the 4.0 percent legislatively applied vacancy savings rate. The division requested and received personal services contingency funding of \$24,123 from the Governor’s budget office to assist with payouts associated with the termination of long-term employees
- **Pay Changes**—Funds were not transferred from other budgeted expenditure categories. Market adjustments to align division staff pay to the agency market policy of 80 percent of market resulted in average hourly pay increasing about one half of the 3.0 percent HB 13 salary adjustments
- **Retirements**—The division anticipates five employees would be eligible for full retirement in the 2011 biennium and these retirements would result in about \$61,000 in unfunded compensated absence liability

DP 1001 - Meat Inspection - Computers-OTO - The executive is requesting \$8,750 general fund and federal special revenue each year of the biennium for replacement computers. The federal government requires that the computers and software used by the state meat inspectors be equal in status to the USDA Food Safety Inspection Program.

DP 1002 - Meat Inspection - Lab Sampling - The executive is requesting an increase in base funding to cover the cost of additional microbiological sampling and testing required by the USDA. The increase is equally split between federal funds and general fund.

DP 1003 - Meat Inspection - Out of State Travel - The executive is seeking appropriation authority to increase out-of-state travel for inspection professionals by \$3,147 each year of the biennium. This decision package adjusts the base to \$3,894 per year, enough to fund three out-of-state trips.

**LFD
ISSUE**

This decision package increases the base budget by over 400 percent. See agency issues for additional information.

DP 1004 - PHPCIS - Maintenance Contracts & Service - The executive is requesting \$6,977 general fund and federal special revenue authority each year of the biennium for computer hardware and software maintenance contracts for the meat inspection program.